

Outlook and Issues '77 Conference
The Prince Hotel, Toronto - April 25, 1977

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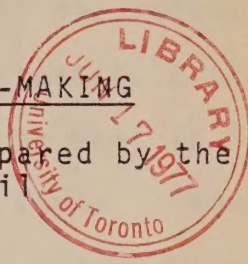
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FOR IMMEDIATE RELEASE

THE PROCESS OF PUBLIC DECISION-MAKING

- A discussion paper prepared by the
Ontario Economic Council



TORONTO -- Increasing the information available to voters would improve the process of public decision-making in Ontario according to a study released today by the Ontario Economic Council. The paper will be used as a basis for discussion during the upcoming Outlook and Issues Conference sponsored by the O.E.C. on Monday, April 25, 1977 at The Prince Hotel in Toronto.

The study begins with the assertion that public policy makers, whether politicians, bureaucrats or special interest groups, are, like their counterparts in the private sector, self-interest seeking. They are responsive to the positive (i.e. reward) or negative (i.e. punishment) incentives under which they work.

Thus, the study argues that if voters more fully understand the rules and incentives under which public decisions are made, then they are better able to understand why any given decision is made. It follows that an effective way to change a public decision is to change the incentives which influence the decision-making participants, although the difficulty in achieving a consensus on what is "the public interest" is also recognized by the study. "Every government must conciliate the conflicting interests of individuals and groups, each of which has different opinions about what the government ought to do." (Page 18)

Recognition of the role of self-interest and incentives in our political life seems to explain why voters are informed on some issues and ignorant of others; why certain interest groups are more cohesive than others; why there are few incentives for government officials to increase efficiency in their departments.

The Council examined four specific policy areas to illustrate how incentives influence the public decision-making process. Minimum wage laws for example, may not be 'good' or 'efficient' but they "are attractive to the politician because they incur only a small budget cost and appear to assist the working poor." (Page xiii)

Similarly, the process of subdivision approval favours the construction of big houses on large lots because this is what the local politicians see as popular with the voters of their communities. Equally, if the process of administering a hospital is viewed in terms of each participant pursuing his self-interest, "the incentive structure of the hospital system suggests little constraint on the growth of expenditures could be expected," in response to the restraint policies of the Ministry of Health. (Page xiv)

The Ontario Government created the Ontario Council on University Affairs (O.C.U.A.) to assist in the decision-making process in the financing of post-secondary education. While O.C.U.A. probably succeeded in obtaining more money for higher education, in return it accepted the responsibility of recommending how the funds should be divided among universities. This shielded the Ontario Government from the charge of interference with academic freedom which otherwise might have arisen.



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The O.E.C. makes three basic recommendations. Firstly, it calls for "more openness and disclosure of government activity" (Page xii) to reduce benefits to special interest groups and achieve greater efficiency and public accountability. Secondly, the Council argues that the government must make more "information on departmental performance available to the public and to the legislature" (Page xiii) to help increase the performance levels of the bureaucracy. Finally, the Council believes that the "conditions which sustain the power of special interest groups should be examined and perhaps some of them eliminated." (Page xiii)

The Ontario Economic Council, established in 1962 as an autonomous advisor to government, undertakes research and policy studies to encourage the optimum development of the human and material resources of Ontario and to support the advancement of all sectors of the province.

For more information on the Council, its activities and publications or the Outlook and Issues '77 Conference, contact:

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NOTE: Selected quotations attached.

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Selected Quotations

But for analytical purposes the hypothesis that seems to explain collective decision-making best is that individuals seek their self-interest under the rules that constitute the particular incentive system within which they operate. This is not to say that most individuals are amoral, much less immoral. Rather it is to recognize that most of the time most people make their decisions consistent with pursuit of rewards and the avoidance of punishments. (Page 2)

The notion of "the public interest" is extremely imprecise. There exist fundamental disagreements among people...which must be resolved through the political process. An understanding of the decision-making process of government and of how it reconciles these differences is vital to an understanding of the role of government. (Page 19)

The "public interest" cannot be simply and objectively defined. Too often criticism of the outcome of the government decision-making process is no more than an assertion of our own value judgements about who the gainers and losers should be. (Page 36)

Many of the changes in the policies of governments were apparently intended to pursue objectives that command wide support. No one would argue that government policies should not reflect changes in the demands of the citizenry. But it is essential to keep in mind that in our mixed economy, in which many of our common goals are achieved by setting up rules and incentives that influence the decisions of the private sector, frequent and unanticipated rule changes can have perverse effects. (Page 38)

Evaluations (of policies) might prove embarrassing to the majority party but this is balanced in part by the possibility of laudatory comments and in part by the recognition that increased efficiency can mean more funds to spend on public programs without the need to raise taxes. (Page 39)

...there has been a great deal of discussion about the need for more and better policy evaluations...Despite the fact that many policy analysts have been hired by governments the results have been, by and large, disappointing. The lack of effective policy evaluation can, in part, be explained by the incentives and disincentives faced by government officials. (Page 34)

